



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

52525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-08	BOARD MEETING: June 5, 2012	PROJECT NO: 12-014	PROJECT COST: Original: \$1,799,109
FACILITY NAME: Manor Court of Freeport		CITY: Freeport	Current: \$
TYPE OF PROJECT: Non-Substantive			HSA: I

PROJECT DESCRIPTION: The applicants (Residential Alternatives of Illinois, Inc., and Frances House, Inc.), propose to add 27 skilled care beds to its existing 90-bed complement. The total cost of the project is \$1,799,109. **The anticipated project completion date is December 31, 2013.**



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EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Residential Alternatives of Illinois, Inc., and Frances House, Inc.), propose to add 27 skilled care beds to its existing 90-bed complement. The total cost of the project is \$1,799,109. **The anticipated project completion date is December 31, 2013.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicants are before the State Board because the applicants are proposing a substantial change in scope or an increase in the number of beds in excess of the lesser of 10% or 20 beds.

PURPOSE OF THE PROJECT:

- The purpose of the project is to address the continuing unmet demand for skilled care nursing beds in the Stephenson County Planning Area. The applicants propose to refocus the utilization of its six remaining sheltered care beds, and establish 21 additional skilled care beds through new construction, resulting in a 117-bed skilled nursing facility.

NEED FOR THE PROJECT:

- To expand a long term care facility the applicant must provide documentation that
 - there is a calculated bed need in the planning area;
 - the proposed facility is serving the residents of the planning area; and,
 - there is a demand for the long term care service.

BACKGROUND:

- In 2003 the State Board approved the construction of this long term care facility consisting of 45 skilled care beds, 38 sheltered care beds and 79 independent units at a cost of \$4,615,460. This facility was approved under the CCRC variance whereby they could only provide long term care service to the residents of the retirement community.
- In February 2010 the State Board approved the applicants to discontinue the Continuum of Care Variance on 45 long term care beds at Manor Care of Freeport and reestablish a 90 bed facility at the same location. The skilled nursing facility is located on the campus of Liberty Village of Freeport, Freeport. The cost of this project was \$5,694,570, and was completed in December 2010.

COMPLIANCE ISSUES:

- The applicants have reported no adverse actions for the past three years.

PUBLIC HEARING/COMMENT

- No public hearing was requested, one letter of opposition and no letters of support were received regarding the proposed project.
- **Provena St. Joseph Center stated** *"the additions of 27 long term care beds will negatively impact the other facilities in the area. According to the certificate of need the facilities in Freeport are operating below the optimal thresholds. The addition of the long term care beds will only*



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increase the under-utilization of current facilities already at low occupancy as well as take those who are operating at marginal levels below as well."

FINANCIAL AND ECONOMIC FEASIBILITY:

- The entirety of the project will be funded through cash and securities (1,665,000), and the Fair Market Value of a Lease (internally funded) totaling \$134,109. The applicants did provide audited financial statements and it appears that sufficient cash is available to fund the project.

CONCLUSIONS:

- The applicants are proposing to expand/modernize its existing 90-bed skilled care facility through the conversion of 6 sheltered care beds and the construction/establishment of 21 new patient beds/rooms. The facility currently has a 4-Star Medicare rating, and the patient population is in the 89th percentile, one percent below 90%, the prescribed occupancy target for skilled nursing facilities.
- The April 2012 Inventory Update for General Long Term Care services shows a calculated need for 28 LTC beds in the Stephenson County Planning area by CY 2018.
- From the documentation provided we believe that there is a demand for the service, the applicants will serve the residents of the planning area, the applicants will achieve target occupancy by the second year after project completion and that the applicants are financially viable and the project is economically feasible.



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STATE AGENCY REPORT
Manor Court of Freeport - Freeport
PROJECT #12-014

APPLICATION SUMMARY	
Applicants(s)	Frances House, Inc. Residential Alternatives of Illinois, Inc.
Facility Name	Manor Court of Freeport
Location	Freeport
Application Received	February 6, 2012
Application Deemed Complete	February 8, 2012
Review Period Ended	April 9, 2012
Public Hearing Held	No
Can Applicants Request Deferral?	Yes
Review Period Extended by the State Agency?	No
Applicants' Modified the project?	No

I. The Proposed Project

The applicants propose to expand/modernize its existing 90-bed skilled nursing facility on the campus of Manor Court of Freeport, through the addition of 27 skilled care beds. The proposed project involves construction of a 21-bed addition, and the conversion of 6 Sheltered Care beds to skilled care. The cost of the project is \$1,799,109.

II. Summary of Findings

- A. The State Agency finds the proposed project appears to be in conformance with the provisions of Part 1110.
- B. The State Agency finds the proposed project does appear to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Residential Alternatives of Illinois, Inc., and Frances House, Inc. The existing facility is located at 2170 West Navajo Drive, Freeport, in HSA 01, and the Stephenson County Long Term Care ("LTC") Planning Area. The 2011 LTC Data Summary lists 1 hospital-based unit and 6 free-standing Long Term Care (LTC) facilities in this LTC Planning area, including the applicant. **The April 2012 Inventory Update for General Long Term Care services shows a calculated need for 28 LTC beds in the Stephenson County Planning area by CY 2018.**



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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The project is non-substantive and subject to Part 1110 and Part 1120 review. Obligation will occur after permit issuance. **The anticipated project completion date is December 31, 2013.**

Summary of Support and Opposition Comments

An opportunity for a public hearing was offered on this project; however, no hearing was requested. The State Agency has received one letter in opposition to the proposed project.

Provena St. Joseph Center stated *“the addition of 27 long term care beds will negatively impact the other facilities in the area. According to the certificate of need the facilities in Freeport are operating below the optimal thresholds. The addition of the long term care beds will only increase the under-utilization of current facilities already at low occupancy as well as take those who are operating at marginal levels below as well.”*

Facilities within 30 minutes of the Proposed Facility

Table One displays information pertaining to other LTC providers within a 30-minute travel radius. Data includes authorized beds, distance and travel times from the applicants' facility and respective occupancy rates. Data on authorized beds and occupancy rates were obtained from IDPH's 2010 Hospital and LTC profiles, distance and travel times were obtained from Map Quest, and the Medicare Star Rating was obtained from the Department of Health & Human Services' Medicare website (www.medicare.gov). The data in the table is sorted by travel time.

As Table One shows, there are 6 other providers of LTC service in a 30-minute drive radius. Of the providers identified in Table One, 1 (16.6%), achieved the State Board's target utilization (90%) for 2010. The average utilization for these six facilities is 58.68%. The State Agency notes the applicant's facility has a 4-star Medicare rating, and reported 89% occupancy on the 2010 LTC profile.

TABLE ONE Facilities within 30 Minutes Travel Time					
Facility	City	Time (minutes)	Medicare Star Rating	Beds	Occupancy% (90% Target)
Freeport Rehab & Healthcare	Freeport	2	1	143	58.6 %
Parkview Home	Freeport	3	N/A	30	72.9 %
Freeport Memorial Hospital	Freeport	4	5	26	60.4 %
Provena St. Joseph Ctr.	Freeport	9	2	120	88.7 %
Stephenson Nursing Ctr.	Freeport	9	3	162	70.6 %



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TABLE ONE Facilities within 30 Minutes Travel Time					
Facility	City	Time (minutes)	Medicare Star Rating	Beds	Occupancy% (90% Target)
Lena Living Ctr.	Lena	19	1	92	90% %
Source: Occupancy % 2010 IDPH LTC Profiles Time and Distance determined by MapQuest and adjusted per 77 IAC 1100.560 Star rating determined from www.Medicare.gov					

IV. The Proposed Project - Details

The applicants propose to expand an existing 90-bed skilled care facility, located on the campus of Manor Court of Freeport, 2170 West Navajo Drive, Freeport, by constructing a 6,639 GSF addition to house 21 skilled care beds. The applicants also propose to convert 6 sheltered care beds to skilled care, for a total 27-bed expansion. Once completed, the expanded facility will consist of 54,600 GSF of space, and will house 117 skilled nursing beds.

V. Project Costs and Sources of Funds

The applicants' provided the project costs for both clinical and non-clinical aspects of the proposed project. Table Two shows the project costs and funding sources using these considerations.

TABLE TWO Project Costs and Source of Funds Project 12-014 Manor Court of Freeport - Freeport			
Use of Funds	Clinical	Non -Clinical	Total
Preplanning Costs	\$12,000	\$3,000	\$15,000
Site Survey & Soil Investigation	\$8,000	\$2,000	\$10,000
Site Preparation	\$40,000	\$10,000	\$50,000
New Construction Contracts	\$1,040,000	\$260,000	\$1,300,000
Contingencies	\$60,000	\$15,000	\$75,000
Architectural & Engineering Fees	\$56,000	\$14,000	\$70,000
Consulting & Other Fees	\$32,000	\$8,000	\$40,000
Moveable & Other Equipment	\$84,000	\$21,000	\$105,000
Fair Market Value of Leased Space	\$107,287	\$26,822	\$134,109
Totals	\$1,439,287	\$359,822	\$1,799,109
Source of Funds			
Cash & Securities	\$1,332,000	\$333,000	\$1,665,000
Fair Market Value of Leased Space	\$107,287	\$26,822	\$134,109



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TABLE TWO Project Costs and Source of Funds Project 12-014 Manor Court of Freeport - Freeport			
Total	\$1,430,487	\$357,622	\$1,799,109

VI. Cost/Space Requirements

Table Three displays the project's space requirements for the clinical and non-clinical portions of the project. The definition of non-clinical as defined in the Planning Act [20 ILCS 3960/3] states, "non-clinical service area means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving treatment at the health care facility." The State Agency notes the project involves the construction of a new patient wing, the conversion of six sheltered care beds, resulting in the addition of 27 skilled care beds. The applicants note the proposed project will add 8,694 GSF of space to an existing building containing 45,906 GSF of space.

TABLE THREE Space Requirements						
Department/Area	Existing GSF	Proposed	New Construction	Modernized	As Is	Cost
Clinical						
Nursing	25,824	30,959	3,820	1,315	25,824	\$1,043,837
Living/Dining/ Activity	5,387	6,837	1,100	350	5,387	\$298,711
Kitchen/Food Service	1,680	1,795	85	30	1,680	\$23,275
P.T./O.T.	440	440	0	0	440	\$0
Laundry	1,471	1,471	0	0	1,471	\$0
Janitor Closets	386	491	105	0	386	\$26,333
Baths/Toilet	812	1,012	160	40	812	\$42,737
Beauty/Barber	170	170	0	0	170	\$0
Total Clinical	36,170	43,175	5,270	1,735	36,170	\$1,434,893
Non-Clinical						
Office/ Administrative	1,480	1,480	0	0	1,480	\$0
Employee Lounge/Locker/Training	180	180	0	0	180	\$0
Mechanical/Electrical	700	815	115	0	700	\$28,841
Lobby	320	494	114	60	320	\$32,506
Storage/Maintenance	1,285	1,525	240	0	1,285	\$60,190
Corridor/Public Toilets	5,771	6,931	900	260	5,771	\$242,679
Total Non-Clinical	9,736	11,425	1,369	320	9,736	\$364,216



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HEALTH FACILITIES AND SERVICES REVIEW BOARD

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TABLE THREE Space Requirements						
Department/Area	Existing GSF	Proposed	New Construction	Modernized	As Is	Cost
TOTAL	45,906	54,600	6,639	2,055	45,906	\$1,799,109

VII. Project Purpose and Alternatives

A) Criterion 1125.320 – Purpose of the Project

The criterion states:

“The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

- 1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:**
 - A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that May affect the need for services in the future;**
 - B) The population's morbidity or mortality rates;**
 - C) The incidence of various diseases in the area;**
 - D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);**
 - E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).**
- 2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need**



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

52525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

(IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).

- 3) The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.
- 4) For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records."

According to the applicants, the purpose of the project is to address a need for 28 additional beds in HSA-01 and the Stephenson County LTC Planning area. The applicants note the facility opened in 2006, and achieved the utilization rate of 89.9% by the end of the second year of operation. The applicants note having expanded the skilled nursing facility in the past (Project #10-007), by removing a CCRC variance, and adding 45 beds through the conversion of sheltered care and assisted living space.

B) Criterion 1125.330 - Alternatives to the Proposed Project

The criterion states:

"The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

- 1) Alternative options shall be addressed. Examples of alternative options include:
 - A) Proposing a project of greater or lesser scope and cost;
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;



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- C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
 - D) Other considerations.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This May vary by project or situation.
 - 3) The applicant shall provide empirical evidence, including quantified outcome data; that verifies improved quality of care, as available."

The applicant considered two alternatives:

1. Maintain Status Quo

The applicant considered this alternative, but summarily rejected it based on past instances where potential residents were turned away due to lack of vacancies. The applicants also wish to address the need for 28 LTC beds in the Stephenson County planning area. The applicants report no financial benefit to the proposed alternative. **The applicant identified no costs with this alternative.**

2. Project as Proposed

The alternative of building a 21-bed addition to the existing structure and converting six sheltered care beds for skilled nursing use was seen as most viable based on the immediate need for skilled nursing beds in the service area, and the overall financial advantage to converting and modernizing existing sheltered care units. The applicants also note the aged buildings of neighboring skilled nursing facilities, and the fact that the applicant's facility is the newest, most sought after skilled nursing facility in the service area. **The applicant identified an estimated cost of \$1,799,109 with this alternative.**

The applicant has supplied the information requested in accordance with this criterion.



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

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VIII. Expansion of Existing Services

A. Criterion 1125.520 - Background of Applicant

The criterion:

"An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character, to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder")."

The applicant provided licensure and certification information for Manor Care of Freeport, as required. The applicants have provided representations attesting that no adverse actions have been taken against this facility, and the State Agency can access any and all information to determine whether adverse actions have been taken against the applicant. The applicant provided all the necessary information required to address this criterion.

B) Criterion 1125.530 (b) - Service to Planning Area Residents

The applicant shall document that the number of beds to be established or added is necessary to serve the planning area's population, based on the following:

b) Service to Planning Area Residents

1) Applicants proposing to establish or add beds shall document that the primary purpose of the project will be to provide necessary LTC to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.



2) Applicants proposing to add beds to an existing general LTC service shall provide resident/patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected resident volume will be from residents of the area.

3) Applicants proposing to expand an existing general LTC service shall submit resident/patient origin information by zip code, based upon the resident's/patient's legal residence (other than an LTC facility).

The applicants identified a need for an additional 28 skilled nursing beds in HAS-01/Stephenson County, and Board Staff concurs with these findings. The applicants supplied a report (application, p. 129), providing patient origin information for all admissions to Manor Court of Freeport, Freeport for 2011. It is noted of the 203 residents on campus, 162 (80%) were reported as having originated from the Stephenson County LTC Planning Area.

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE SERVICE TO PLANNING AREA RESIDENTS CRITERION (77 IAC 1125.530(b)).

C) Criterion 1125.550 (a) - Service Demand - Expansion of General Long Term Care

The applicants propose to add 27 skilled nursing beds to an existing 90-bed skilled nursing facility in Freeport. The additional 27 beds will be a combination of new construction (21-bed addition), and the conversion of 6 sheltered care beds for skilled nursing service. The proposed project will increase the applicant's bed complement from 90 skilled nursing beds to 127, and address a bed need for 28 skilled nursing beds in the Stephenson County LTC Planning Area. The applicants report having an average operational capacity of 90% for CY 2008 (89.8%), CY 2009 (91.6%), and CY 2010 (89.1%). Board Staff concurs with these findings. The applicants supplied a list (application p. 78), of all residents currently on Manor Court-Freeport's "Waiting List", complete with the level of care needed. The applicants feel the historical operational capacities, combined with the campus waiting list, serves as projected assurance of achieving operational capacity by the facility's second year of operation (2014).



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

52525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE EXPANSION OF GENERAL LONG TERM CARE REVIEW FUNCTIONS CRITERION (77 IAC 1125.550).

D) Criterion 1125.590 - Staffing Availability

The applicants note the current facility has 90 operational beds that are sufficiently staffed per licensing standards, and supplied a listing of the existing and proposed staffing pattern by position title (application, p. 136-137). The applicants report a projected need for 16.7 additional full time equivalents, and will start reviewing the 357 employment applications currently on file, as completion of the proposed expansion nears.

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE STAFFING AVAILABILITY REVIEW CRITERION (77 IAC 1125.590)

E) Criterion 1125.600 – Bed Capacity

The maximum size of a general long term care facility is 250 beds, unless the applicant documents that a larger facility would provide personalization of patient care and documents provision of quality care based on the experience of the applicant and compliance with IDPH's licensure standards (77 Ill. Adm. Code: Chapter I, Subchapter c – Long-Term Care Facilities) over a two-year period of time.

The applicants note the proposed facility will consist of 127 skilled nursing beds after project completion. It appears the applicant is in conformance with the Facility Size criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE BED CAPACITY REVIEW CRITERION (77 IAC 1125.600)

F) Criterion 1125.610 - Community Related Functions

The applicant shall document cooperation with and the receipt of the endorsement of community groups in the town or municipality where the facility is or is proposed to be located, such as, but not limited to, social, economic or governmental organizations or other concerned parties or groups. Documentation shall consist of copies of all letters of support from those organizations.



The applicants supplied eight letters of community support for the proposed expansion of Manor Court of Freeport. The letters are from the following individuals:

- Tim Bivins, State Senator, 45th District
- Jim Sacia, State Representative, 89th District
- George W. Gaulrapp, Mayor, City of Freeport
- Kim Grimes, Executive Director, Freeport Area Chamber of Commerce
- Christopher Jelinek, M.D.
- Don Werntz, Big Radio
- Kelly Hillan, Executive Director, Senior Resource Center
- Thomas Kempel, President, Star Ambulance Service

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE COMMUNITY RELATED FUNCTIONS REVIEW CRITERION (77 IAC 1125.610).

G). Criterion 1125.620 - Project Size

The criterion states:

"The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix A, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;**
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;**
- 3) The project involves the conversion of existing bed space that results in excess square footage."**

The applicant notes the project proposes to construct a new 21-bed addition (6,639 GSF) to an existing 90-bed (45,906 GSF) facility. In addition, the applicants propose to convert 6 sheltered care rooms/beds



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(2,055 GSF) to skilled nursing, resulting in a 117-bed, 54,600 GSF facility. These spatial considerations are compared to the current State Board standard (See Table 4), and it appears a positive finding can be made for this criterion.

TABLE FOUR
Project #12-014 Manor Court of Freeport

Departments	Unit of Measure	State Standard/Unit of Measure	State Standard GSF	Proposed GSF	Difference	Meets Standards
Nursing Care Beds	117 beds/ 467 GSF per bed	435-713 BGSF/Bed	83,421	54,600 GSF	28,821 GSF	Yes

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT - REVIEW CRITERION (77 IAC 1110.234(A)).

G) Criterion 1125.640 - Assurances

- 1) The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that, by the second year of operation after the project completion, the applicant will achieve and maintain the occupancy standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal.
- 2) For beds that have been approved based upon representations for continuum of care (subsection (c)) or defined population (subsection (d)), the facility shall provide assurance that it will maintain admissions limitations as specified in those subsections for the life of the facility. To eliminate or modify the admissions limitations, prior approval of HFPB will be required.

The applicant provided the required signed documents to satisfy the Assurances Review criterion 1125.640 (application, p. 151).

THE STATE AGENCY FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH THE WITH THE ASSURANCES REVIEW FUNCTIONS CRITERION (77 IAC 1125.640).

IX. 1125.800 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project



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costs by providing evidence of sufficient financial resources from the following sources, as applicable:

- a) **Cash and Securities** – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
 - 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
 - 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
- b) **Pledges** – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience. Provide a list of confirmed pledges from major donors (over \$100,000);
- c) **Gifts and Bequests** – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
- d) **Debt** – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
 - 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
 - 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
 - 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;



- 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
- e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
- f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
- g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.

The total estimated project cost is \$1,799,109 and the applicant will fund the entirety of the project with cash and securities totaling \$1,665,000, and the Fair Market Value of Leases totaling \$134,109 (Internally Funded). The applicants provided audited financial statements and it appears sufficient resources are available to fund the project.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1125.800)

X. 1125.800 - Financial Viability

- a) Financial Viability Waiver
The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or



HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

b) Viability Ratios

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards. The latest three years' audited financial statements shall consist of:

- 1) Balance sheet;
- 2) Revenues and expenses statement;
- 3) Changes in fund balance; and
- 4) Changes in financial position.

HFSRB NOTE: To develop the above ratios, facilities shall use and submit audited financial statements. If audited financial statements are not available, the applicant shall use and submit Federal Internal Revenue Service tax returns or the Federal Internal Revenue Service 990 report with accompanying schedules. If the project involves the establishment of a new facility and/or the applicant is a new entity, supporting schedules to support the numbers shall be provided documenting how the numbers have been compiled or projected.



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c) Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

The applicant proposes to fund the proposed project in its entirety with cash and securities (internal sources). The applicants provided audited financial statements and it appears sufficient resources are available to fund the project.

THE STATE AGENCY FINDS THE REQUIREMENTS OF THE FINANCIAL VIABILITY CRITERION IS INAPPLICABLE TO THE PROPOSED PROJECT (77 IAC 1125.800)

XI. 1125.800 - Reasonableness of Project Cost

A. Criterion 1120.140(c) - Reasonableness of Project Cost

The criteria states:

"1) Construction and Modernization Costs

Construction and modernization costs per square foot for non-hospital based ambulatory surgical treatment centers and for facilities for the developmentally disabled, and for chronic renal dialysis treatment centers projects shall not exceed the standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. For all other projects, construction and modernization costs per square foot shall not exceed the adjusted (for inflation, location, economies of scale and mix of service) third quartile as provided for in the Means Building Construction Cost Data publication unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

2) Contingencies

Contingencies (stated as a percentage of construction costs for the stage of architectural development) shall not exceed the standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities



and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities. Contingencies shall be for construction or modernization only and shall be included in the cost per square foot calculation.

BOARD NOTE: If, subsequent to permit issuance, contingencies are proposed to be used for other line item costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by the State Board prior to such use.

3) **Architectural Fees**

Architectural fees shall not exceed the fee schedule standards detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

4) **Major Medical and Movable Equipment**

A) For each piece of major medical equipment, the applicants must certify that the lowest net cost available has been selected, or if not selected, that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

B) Total movable equipment costs shall not exceed the standards for equipment as detailed in Appendix A of this Part unless the applicants documents construction constraints or other design complexities and provides evidence that the costs are similar or consistent with other projects that have similar constraints or complexities.

5) **Other Project and Related Costs**

The applicants must document that any preplanning, acquisition, site survey and preparation costs, net interest expense and other estimated costs do not exceed industry norms based upon a comparison with similar projects that have been reviewed."

The State Agency notes the cost identified below are for clinical expenses only.

Preplanning Costs - These costs total \$12,000 or 1% of construction, modernization, contingency, and equipment costs. This appears reasonable compared to the State standard of 1.8%.

Site Survey/Site Preparation Costs - These costs total \$48,000 or 4.3% construction and contingency costs. This appears to be reasonable compared to the State Standard of 5%.



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New Construction and Contingencies – This cost is \$1,100,000 or \$157.03 per GSF. This appears reasonable when compared to the adjusted State Board standard of \$204.97 per GSF.

TABLE SIX New Construction Costs per Square Foot		
Applicant' Proposal per GSF	Adjusted State Standard per GSF	Difference per GSF
\$157.03	\$204.97	\$47.94
Applicant' Total Const./Cont. Cost	Adjusted State Standard	Difference
\$1,100,000	\$1,435,148	\$335,814

Contingencies-New Construction – This cost is \$60,000 or 5.7% of new construction costs. This appears reasonable when compared to the State Board standards of 10% for new construction.

Architectural and Engineering Fees New Construction – This cost is \$56,000 or 8.2% of construction and contingency costs. This appears reasonable when compared to the State Board standard of 5.94% - 8.92%.

Architectural and Engineering Fees Modernization – This cost is \$56,000 or 5% of modernization and contingency costs. This appears reasonable when compared to the State Board standard of 7.62% - 11.44%.

Consulting and Other Fees – These costs total \$32,000. The State Board does not have a standard for this cost.

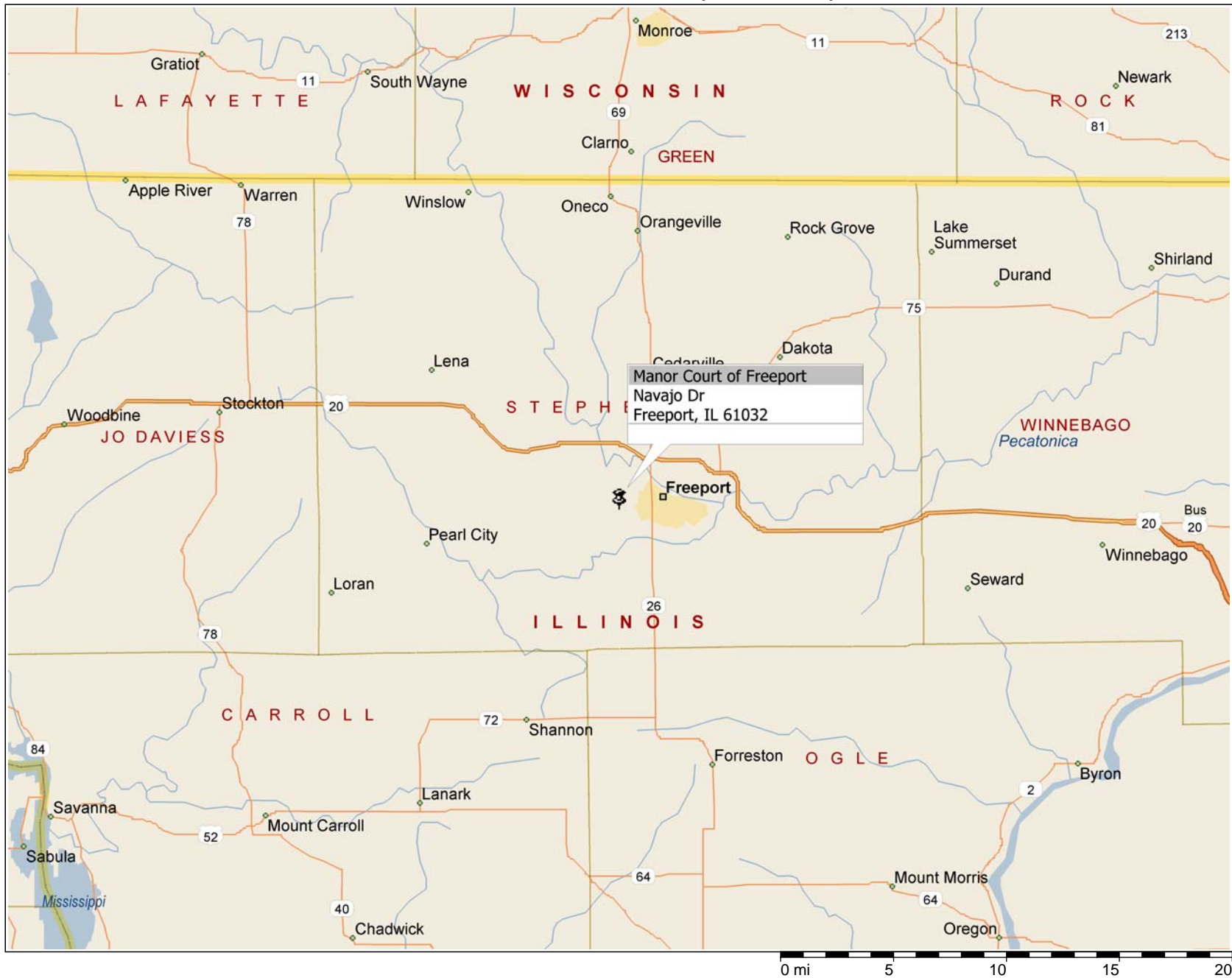
Moveable Equipment – These costs total \$84,000, or \$3,111.11 per bed. This is reasonable compared to the State Standard of \$6,491.00 per LTC bed.

Fair Market Value of the Lease – These costs total \$107,287. The State Board does not have a standard for this cost.

It appears that the applicant has met all applicable requirements of this criterion, and a positive finding can be made.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO MEET THE REQUIREMENTS OF REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1125.800)

12-014 Manor Court of Freeport - Freeport



MANOR COURT OF FREEPORT			ADMISSION RESTRICTIONS		RESIDENTS BY PRIMARY DIAGNOSIS	
2170 WEST NAVAJO DRIVE			Aggressive/Anti-Social	1	DIAGNOSIS	
FREEPORT, IL. 61032			Chronic Alcoholism	1	Neoplasms	1
Reference Numbers	Facility ID	6016133	Developmentally Disabled	0	Endocrine/Metabolic	1
Health Service Area	001	Planning Service Area	Drug Addiction	1	Blood Disorders	0
Administrator			Medicaid Recipient	0	*Nervous System Non Alzheimer	3
Andres Bardelas			Medicare Recipient	0	Alzheimer Disease	29
Contact Person and Telephone			Mental Illness	1	Mental Illness	0
ANDRES BARDELAS			Non-Ambulatory	0	Developmental Disability	0
815-233-2400			Non-Mobile	0	Circulatory System	20
Registered Agent Information	Date Completed		Public Aid Recipient	0	Respiratory System	11
J. Michael Bibo	2/22/2011		Under 65 Years Old	0	Digestive System	3
285 S Farnham St			Unable to Self-Medicate	0	Genitourinary System Disorders	0
Galesburg, IL 61401			Ventilator Dependent	1	Skin Disorders	2
FACILITY OWNERSHIP			Infectious Disease w/ Isolation	0	Musculo-skeletal Disorders	16
NON-PROF CORPORATION			Other Restrictions	0	Injuries and Poisonings	8
CONTINUING CARE COMMUNITY	Yes	<i>Note: Reported restrictions denoted by 'I'</i>	No Restrictions	0	Other Medical Conditions	4
LIFE CARE FACILITY	No				Non-Medical Conditions	0
					TOTALS	98
					Total Residents Diagnosed as Mentally Ill	0

LICENSED BEDS, BEDS IN USE, MEDICARE/MEDICAID CERTIFIED BEDS									ADMISSIONS AND DISCHARGES - 2010	
LEVEL OF CARE	LICENSED BEDS	PEAK BEDS SET-UP	PEAK BEDS USED	BEDS SET-UP	BEDS IN USE	AVAILABLE BEDS	MEDICARE CERTIFIED	MEDICAID CERTIFIED	Residents on 1/1/2010	76
Nursing Care	90	90	90	90	86	4	90	90	Total Admissions 2010	222
Skilled Under 22	0	0	0	0	0	0		0	Total Discharges 2010	200
Intermediate DD	0	0	0	0	0	0		0	Residents on 12/31/2010	98
Sheltered Care	12	12	12	12	12	0			Identified Offenders	0
TOTAL BEDS	102	102	102	102	98	4	90	90		

FACILITY UTILIZATION - 2010											
BY LEVEL OF CARE PROVIDED AND PATIENT PAYMENT SOURCE											
LEVEL OF CARE	Medicare		Medicaid		Other Public	Private Insurance	Private Pay	Charity Care	TOTAL	Licensed Beds	Peak Beds
	Pat. days	Occ. Pct.	Pat. days	Occ. Pct.	Pat. days	Pat. days	Pat. days	Pat. days	Pat. days	Occ. Pct.	Set Up Occ. Pct.
Nursing Care	2701	8.2%	3016	9.2%	466	458	22629	0	29270	89.1%	89.1%
Skilled Under 22			0	0.0%	0	0	0	0	0	0.0%	0.0%
Intermediate DD			0	0.0%	0	0	0	0	0	0.0%	0.0%
Sheltered Care					0	0	4339	0	4339	99.1%	99.1%
TOTALS	2701	8.2%	3016	9.2%	466	458	26968	0	33609	90.3%	90.3%

RESIDENTS BY AGE GROUP, SEX AND LEVEL OF CARE - DECEMBER 31, 2010											
AGE GROUPS	NURSING CARE		SKL UNDER 22		INTERMED. DD		SHELTERED		TOTAL		GRAND TOTAL
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Under 18	0	0	0	0	0	0	0	0	0	0	0
18 to 44	0	0	0	0	0	0	0	0	0	0	0
45 to 59	0	1	0	0	0	0	0	0	0	1	1
60 to 64	0	2	0	0	0	0	0	0	0	2	2
65 to 74	1	0	0	0	0	0	0	0	1	0	1
75 to 84	5	13	0	0	0	0	2	3	7	16	23
85+	17	47	0	0	0	0	2	5	19	52	71
TOTALS	23	63	0	0	0	0	4	8	27	71	98

MANOR COURT OF FREEPORT

2170 WEST NAVAJO DRIVE

FREEPORT, IL. 61032

Reference Numbers Facility ID 6016133

Health Service Area 001 Planning Service Area 177

RESIDENTS BY PAYMENT SOURCE AND LEVEL OF CARE

LEVEL OF CARE	Medicare	Medicaid	Other Public	Insurance	Private Pay	Charity Care	TOTALS
Nursing Care	12	8	4	2	60	0	86
Skilled Under 22	0	0	0	0	0	0	0
ICF/DD		0	0	0	0	0	0
Sheltered Care			0	0	12	0	12
TOTALS	12	8	4	2	72	0	98

AVERAGE DAILY PAYMENT RATES

LEVEL OF CARE	SINGLE	DOUBLE
Nursing Care	190	165
Skilled Under 22	0	0
Intermediate DD	0	0
Shelter	190	165

RESIDENTS BY RACIAL/ETHNICITY GROUPING

RACE	Nursing	Skilled Under 22	ICF/DD	Shelter	Totals
Asian	0	0	0	0	0
Amer. Indian	0	0	0	0	0
Black	1	0	0	0	1
Hawaiian/Pac. Isl.	0	0	0	0	0
White	85	0	0	12	97
Race Unknown	0	0	0	0	0
Total	86	0	0	12	98

ETHNICITY	Nursing	Skilled Under 22	ICF/DD	Shelter	Totals
Hispanic	0	0	0	0	0
Non-Hispanic	86	0	0	12	98
Ethnicity Unknown	0	0	0	0	0
Total	86	0	0	12	98

STAFFING

EMPLOYMENT CATEGORY	FULL-TIME EQUIVALENT
Administrators	1.00
Physicians	0.00
Director of Nursing	1.00
Registered Nurses	8.00
LPN's	7.00
Certified Aides	48.00
Other Health Staff	4.00
Non-Health Staff	37.00
Totals	106.00

NET REVENUE BY PAYOR SOURCE (Fiscal Year Data)

Medicare	Medicaid	Other Public	Private Insurance	Private Pay	TOTALS	Charity Care Expense*	Charity Care Expense as % of Total Net Revenue
28.3%	8.3%	0.3%	3.7%	59.4%	100.0%		0.0%
1,459,835	427,850	13,858	191,197	3,061,464	5,154,204	0	

*Charity Expense does not include expenses which may be considered a community benefit.

FACILITY NOTES

10-007	10/26/2010	Completed project to add 45 Nursing Care beds and discontinue 21 Sheltered Care beds.
10-007	7/27/2010	Permit issued to add 45 Nursing Care beds and discontinue 21 Sheltered Care beds in existing facility. Upon completion, facility will have 90 Nursing Care and 12 Sheltered Care beds.